



*Weathering the Storm:
Helping Exempt
Organizations in
Troubled Times*

Overview

- Mission, Governance and Management
- Compensation
- Fundraising – Unrelated Business Income
- Non-Cash Contributions
- Mergers and Terminations



Mission, Governance & Management

- Tell organization's story on the 990
- Encourage review of mission statement
- Encourage good governance policies and practices such as:
 - Conflict of interest, whistleblower document retention policies
 - Disclosure of governing documents



Compensation

- More information on Form 990
- Include compensation paid by organization and related organizations for:
 - All current officers, directors, and trustees
 - All current key employees > \$150,000
 - Five highest paid employees > \$100,000
 - Former officers, key employees and highest paid employees > \$100,000
 - Former director or trustee > \$10,000
- Include compensation paid by organization for five highest paid independent contractors > \$100,000



Compensation

- Complete Schedule J when the 990 lists:
 - **Former** officers, directors, trustees, key employees or highest paid employees
 - A person with compensation > \$150,000
 - A person who received or accrued compensation from an unrelated organization for services rendered to the organization



Compensation

- Categorize compensation on Schedule J:
 - Base compensation
 - Bonuses and incentives
 - Other reportable compensation
 - Deferred compensation
 - Nontaxable benefits
- Answer questions about compensation practices:
 - Types of benefits provided
 - How compensation is established for CEO or Executive Director
- Clarify items in additional space provided



Fundraising/Unrelated Business Income

- Remind organization that:
 - Income from an unrelated business activity may be taxable
 - Too much unrelated business activity may jeopardize its exempt status
 - Form 990-T of 501(c)(3) organizations is open to public disclosure



Non-Cash Contributions

- Don't get involved in overvaluing non-cash contributions
- Don't promise the right to purchase back at a certain price
- File Schedule M, if the organization receives:
 - Non-Cash contributions > \$25,000
 - Contributions of art, historical treasures, or other similar assets, or conservation contributions



Mergers & Terminations

- Does the organization continue to meet requirements for tax-exemption
- Consider legal ramifications
- Consider partnering with another exempt organizations to reduce costs
- File Schedule N if the organization:
 - Terminates or
 - Disposes of > 25% of net assets



Conclusion

- Organizations can maintain the public trust and weather these troubling times if they:
 - Operate consistently with their mission
 - Promote transparency and accountability
 - Resist sacrificing principles for short-lived gains



More Information

- IRS Charities Website:
www.IRS.gov/charities
- On-Line Workshop and Mini-Courses
www.StayExempt.org
- TE/GE Customer Account Services:
(877) 829-5500
- Subscribe to EO Update: Go to the IRS charities website, click on “EO Newsletter” on left navigation bar, and click on “Subscribe.”

